

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF) CASE NO.
HENDERSON COUNTY WATER DISTRICT) 2017-00104

ORDER

On February 24, 2017, Henderson County Water District (“Henderson County”) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹

The Commission notes that in its 2015 Annual Report Henderson County reported a water loss of 24.6194 percent.² Henderson County’s application provides updated purchases and sales information for a more current period than the 2015 Annual Report. Commission regulation 807 KAR 5:066(6)(3) states that for rate making purposes a utility’s unaccounted-for water loss shall not exceed fifteen (15) percent of total water produced and purchased, excluding water consumed by a utility in its own operations. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2015 Annual Report,³ Henderson County’s

¹ KRS 278.012; 807 KAR 5:068.

² 2015 Annual Report at 61, line 33.

³ 2015 Annual Report, line 21, divided by line 4, (5,559 divided by 459,942) equals 1.21 percent.

unaccounted-for water loss is determined to be 22.62 percent for the updated period.⁴ Reduction of Henderson County's unaccounted-for water loss to 15 percent would result in an approximate \$90,456.05⁵ decrease to purchased water expense. Potentially, Henderson County is paying \$0.2678 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the allowable 15 percent⁶ threshold.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the fifteen (15) percent unaccounted-for water loss threshold and strongly encourages Henderson County to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Henderson County to make significant process towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

⁴ Total Purchases (application PWA Form 1 pg. 2)	443,416,921
Less Total Sales (application PWA Form 1 pg. 2)	337,771,166
Less plant use (% determined from 2015 AR)	<u>5,365,345</u>
Water loss - gallons	100,280,410
Water loss - percent	0.2262

⁵ Water loss above 15 percent 0.0762
 Potential purchased water expense reduction (cost at new wholesale rate times water loss above 15 percent) = \$ 90,456.05.

⁶ Potential purchased water expense reduction divided by sales (\$90,456.05/(337,771,166/1,000) equals \$0.2678/1,000.

The Commission, having reviewed the record and being sufficiently advised, finds that:

1. Henderson County purchases water from the Henderson Water Utility ("Henderson"). Henderson provides water to Henderson County in two separate areas, Henderson Water Utility North ("Henderson-North") and Henderson Water Utility South ("Henderson-South").

2. Henderson notified Henderson County on December 16, 2016, its wholesale rate to Henderson County for Henderson-North would increase from \$2.4507 per 1,000 gallons to \$2.7319 per 1,000 gallons and its wholesale rate for Henderson-South would increase from \$2.2745 per 1,000 gallons to \$2.3638 per 1,000 gallons, effective on April 1, 2017.⁷ Henderson County proposed to increase the water rates to its customers effective April 1, 2017, to reflect the increased cost of purchased water from Henderson.

3. Henderson County proposes a purchased water adjustment factor of \$0.39 per 1,000 gallons. Henderson County's application contained a typographical error in the Henderson-South rate. The application stated the rate for Henderson-South purchases will increase to \$2.6368 per 1,000 gallons; however, the Henderson-South rate that will become effective on April 1, 2017 will only increase to \$2.3638 per 1,000 gallons.

4. During the 12 months ended December 31, 2016, Henderson County purchased 379,405,003 gallons of water from Henderson-North and 64,011,918 from

⁷ TFS 2017-00011 (Ky. PSC filed Jan. 9, 2017); the tariff was accepted for filing by the Commission by letter dated Feb. 23, 2017.

Henderson-South and sold 337,771,166 gallons of water. The increase in the cost of purchased water is \$112,404.95, resulting in a purchased water adjustment factor of \$0.34 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.34 per 1,000 gallons, as calculated in Appendix A to this Order, permits Henderson County to pass through the increase in its wholesale rates from Henderson and is fair, just, and reasonable and should be approved.

6. Henderson County's proposed rates, which, due to a typographical error, overstate the amount of the purchased water adjustment necessary for Henderson County to pass through the increase in its wholesale rates from Henderson, should be denied.

7. The rates as set forth in Appendix B to this Order are fair, just and reasonable and should be approved for water service rendered by Henderson County on and after April 1, 2017.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.34 per 1,000 gallons is approved.

2. Henderson County's proposed rates are denied.

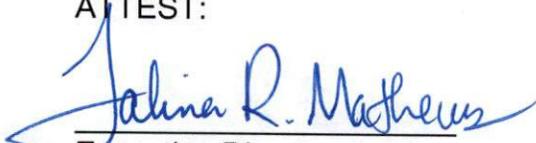
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Henderson County on and after April 1, 2017.

4. Within 20 days of the date of this Order, Henderson County shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

By the Commission

ENTERED
MAR 07 2017
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
 COMMISSION IN CASE NO. 2017-00104 DATED **MAR 07 2017**

	New Rate	Base Rate
Henderson County Henderson-North Purchases in gallons	379,405,003 <u>\$ 2.7319/1,000</u> \$1,036,496.53	379,405,003 <u>\$ 2.4507/1,000</u> \$929,807.84
Henderson-South Purchases in gallons	64,011,918 <u>\$ 2.3638/1,000</u> \$151,311.37	64,011,918 <u>\$ 2.2745/1,000</u> \$145,595.11
Total	\$1,187,807.90	\$1,075,402.95
Increased water cost		\$ 112,404.95
Increased water cost		\$ 112,404.95
Divided by gallons sold/1,000		<u>337,771,166</u>
Purchased water adjustment factor		\$ 0.3328 per 1,000 gallons or \$ 0.34 per 1,000 gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2017-00104 DATED **MAR 07 2017**

The following rates and charges are prescribed for the customers in the area served by Henderson County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

5/8- x 3/4-Inch Meter

First	2,000 gallons	\$ 19.38 Minimum Bill
Next	8,000 gallons	7.00 per 1,000 gallons
Next	20,000 gallons	6.47 per 1,000 gallons
Over	30,000 gallons	5.94 per 1,000 gallons

1-Inch Meter

First	5,000 gallons	\$ 40.38 Minimum Bill
Next	5,000 gallons	7.00 per 1,000 gallons
Next	20,000 gallons	6.47 per 1,000 gallons
Over	30,000 gallons	5.94 per 1,000 gallons

2-Inch Meter

First	16,000 gallons	\$114.20 Minimum Bill
Next	14,000 gallons	6.47 per 1,000 gallons
Over	30,000 gallons	5.94 per 1,000 gallons

3-Inch Meter

First	30,000 gallons	\$204.78 Minimum Bill
Over	30,000 gallons	5.94 per 1,000 gallons

4-Inch Meter

First	50,000 gallons	\$323.58 Minimum Bill
Over	50,000 gallons	5.94 per 1,000 gallons

6-Inch Meter

First	100,000 gallons	\$620.58 Minimum Bill
Over	100,000 gallons	5.94 per 1,000 gallons

Volunteer Fire Department (Metered Services)	19.38 per Month
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